CANEGROWERS
ISIS

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Queensland Competition Authority
GPO Box 2257
BRISBANE Qld 4001

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Dear Sir/Madam

Re: Regulated Retail Electricity Prices for 2016-2017

CANEGROWERS Isis is the local organisation representing 200 sugarcane growers supplying the Isis Central Sugar Mill near Childers. The Isis Central Sugar Mill is grower owned and therefore the sugarcane growers, for whom CANEGROWERS Isis acts, have a large investment not only in primary production but also in manufacturing. The future viability of the Isis sugar industry is dependent on remaining profitable, whilst competing in an uneven world market environment because 90% of Australia's sugar production is sold overseas. This means that any costs incurred by growers cannot be passed on as we have no influence on the world market price.

On behalf of our members we must point out the significant impact electricity prices are having on our international competitiveness in the world market. Our region is heavily reliant on irrigation and because of our topography our dependence on large kilowatt motors, both on-the-farm and within the regional irrigation scheme, has meant the cost of electricity has risen from 10% of our gross revenue to 25% of gross revenue in the last 7 years.

Our annual energy consumption varies depending on the climate. With half the crop water requirement coming from irrigation, our farmer members vary their pattern of use according to rainfall registrations. In reality, the main irrigation demand is between October and April (6 months).

Standing Offers.

Firstly we would like to emphasise our strong support for the UTP (Uniform Tariff Policy). Standing Offer prices will most likely be taken up by non-price sensitive customers (e.g. solar bonus scheme and small consumers) and as such will be set artificially high. This is inconsistent with the spirit of the UTP as regional customers would not have equivalent prices with Energex customers. We believe the benchmark should be a weighted average of all available Energex customer prices.

Secondly, we have limited understanding how standing offers will be calculated in the future when notified prices for south east Queensland no longer exist. What is the QCA proposing to ensure that the standing offers are reasonable and reflect a true and fair price for electricity in the SEQ region? What protection will there be to prevent the artificial inflation of these prices being passed on to ERGON customers?

Tariff Structure.

It is impossible to make an informed decision without the notified prices under each scenario. It appears that the QCA approach is to ensure that the options are revenue neutral on a volumetric basis assuming that the consumption is consistent throughout the year. This is not the case for irrigators who tend to use more in the summer months. Ergons tariff structure would be useful in sending the correct price signals to take pressure off the network thus benefiting all customers in the long run.

Network Costs.

CANEGROWERS Isis would like to see further investigations into alternatives to managing peak demand. Currently, irrigated agriculture in our region has three tariff options (T62, 65 & 66). Tariffs 62 and 65 are popular because they are time-of-use tariffs. However, the QCA has made these Transitional Tariffs with an expiry date of 2020. Neither the QCA nor Ergon Energy has proposed any suitable replacement tariffs and this uncertainty is impacting negatively on irrigated customers as to their future investment in system changes. One option that might be suitable to some irrigators would be to have a controlled supply, similar to a T33 for certain appliances (e.g. air conditioners) and particular business customers (e.g. irrigators) to reduce pressure on the network and reduce future capital expenditure.

We would welcome consultation on these matters.

Energy Costs.

Irrigators pay a disproportionately high amount of the solar bonus scheme due to our high energy consumption especially when we have not been able to access the benefits of the feed-in tariff. CANEGEOWERS Isis believes that the costs of the scheme should only be borne by those tariff holders who have had the ability to participate. Small business customers as well as residential customers should be allowed to receive incentives to encourage the uptake of renewable energy if future schemes are being considered.

Headroom Allowance.

CANEGROWERS Isis has always argued that this allowance was an unnecessary tax imposed by the QCA. We understand that the headroom allowance is a form of rent introduced to support the development of competition in the retail sector in the south east region. We believe it was necessary at the time but now feel it should be reduced. If retailers cannot eventually deliver outcomes below the efficient notified price the current business model will be deemed a failure as it will not have delivered the efficiencies it was designed to discover. We believe the headroom allowance should be phased out as quickly as possible and certainly no later than 2020, the final year for transitional and obsolete tariffs.

Access to Transitional Tariffs.

CANEGROWERS Isis is concerned that existing customers who change between transitional tariffs to get a better deal could be classed as new customers under each tariff. If this is the case then access to the range of tariffs currently available will be denied, existing customers will be treated as new customers. Existing customers should not be classified as new customers if they are only changing tariffs as they are currently entitled to do.

In conclusion, CANEGROWERS Isis is very concerned with the proposals being contemplated and urges that the QCA examine carefully the extreme negative financial impacts that any changes will have on our farmer members. As stated, price increases in the last seven years have increased the cost of energy for our members from 10% to 25% of gross revenue. Cane growers are price takers and the current direction of the QCA will definitely lead to the sugar industry in the Wide Bay Region to becoming unviable by 2020.

Yours Faithfully

Ian Putt
ACTING MANAGER